

1H 2020 Earnings Release

LOTTE Chilsung Beverage Co.,Ltd.

2020.08.13 | Investor Relations



Contents

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1H 2020 Earnings Summary

Consolidated, Separate

1H 2020 Earnings Summary (Consolidated)

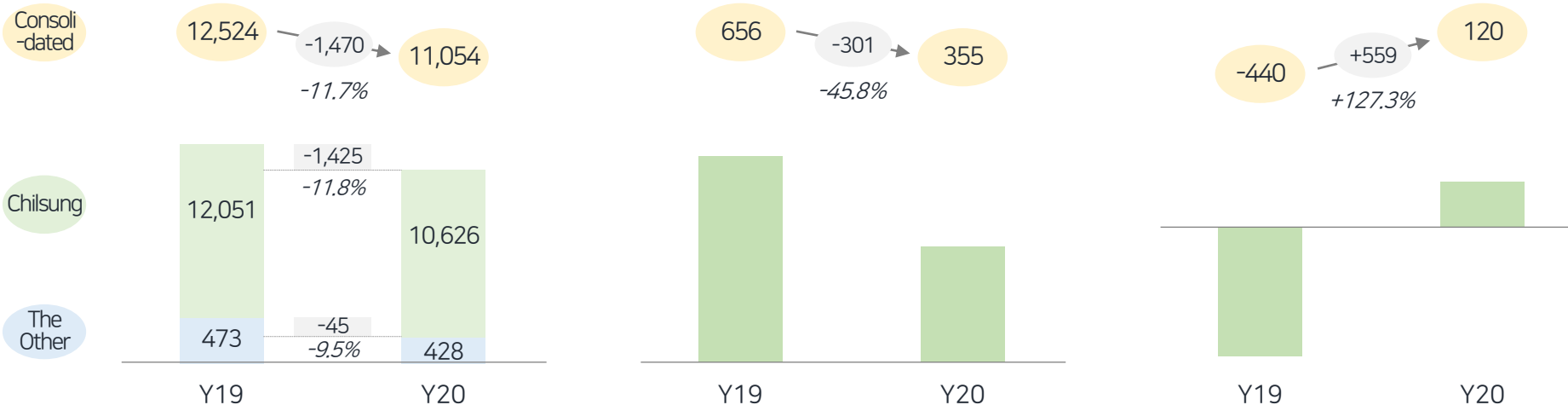
Sales decreased by 11.7% at 105.4 bn KRW, OP reduced by 45.8% at 35.5 bn KRW

(In Hundred Million of KRW)

Sales

Operating Profit

Net Profit



- Covid-19 pandemic has resulted in decreased sales because it has brought the new normal, such as social distancing, reduction in outdoor activities, and prohibition of mass gathering.
- Rate of fixed costs has increased because of declines in sales and production. A decrease in operating profit has been reduced by ZBB project which improves efficiency of cost structure.

* Other Expense: Penalty surcharge ₩49.3 bn KRW imposed by the National Tax Service in 1H 2019.

** One-time cost(Penalty Surcharge): ₩29.8 bn KRW was finally decided after review of the legality before taxation in 2H 2019

1H 2020 Earnings Summary (Separate)

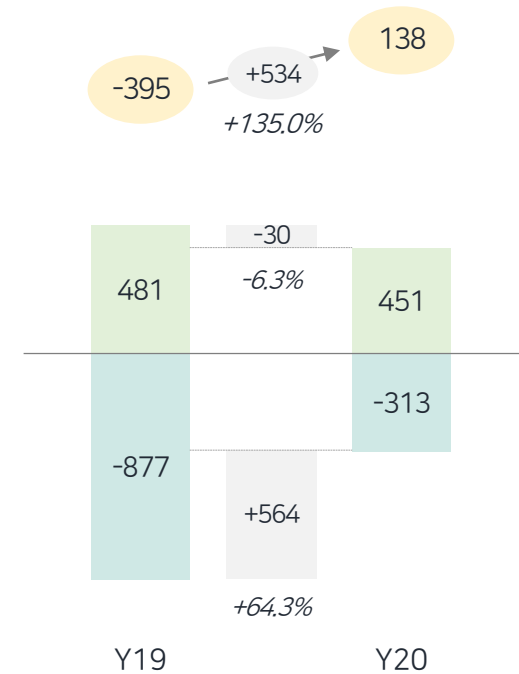
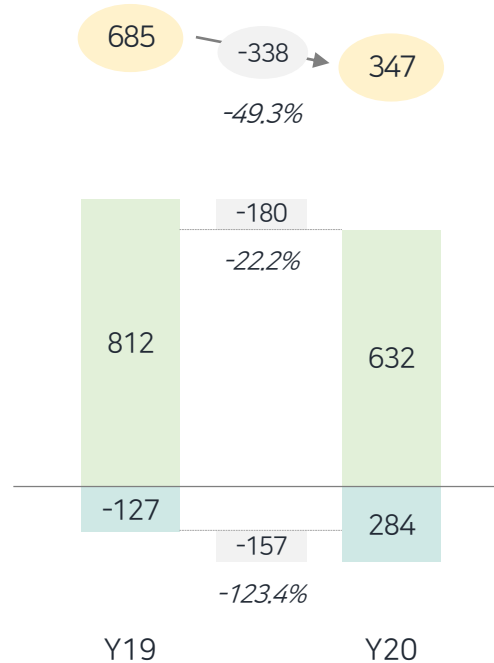
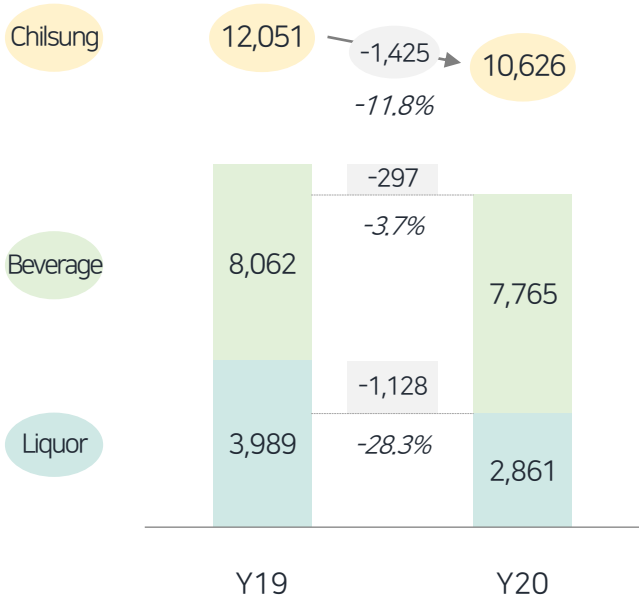
Sales down 11.8% at 10,626 HM KRW, OP down 49.3% at 347 HM KRW

(In Hundred Million of KRW)

Sales

Operating Profit

Net Profit



1H 2020 Earnings by Business

Beverage, Liquor
(Based on Separate)

1H 2020 Earnings by Business (Beverage)

Sales by Category

(In Hundred Million of KRW)

| | 1H 2019 | | 1H 2020 | | YoY | |
|------------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | | (%) | | (%) | Chg. | % |
| Carbonated Drink | 3,244 | 40.3 | 3,219 | 41.5 | -24 | -0.8 |
| Juice | 1,277 | 15.8 | 1,219 | 15.7 | -58 | -4.5 |
| RTD Coffee | 1,049 | 13.0 | 911 | 11.7 | -138 | -13.1 |
| RTD Tea | 856 | 10.6 | 818 | 10.5 | -38 | -4.4 |
| Mineral Water | 283 | 3.5 | 331 | 4.3 | +49 | +17.2 |
| Sparkling Water | 172 | 2.1 | 191 | 2.5 | +19 | +11.2 |
| Energy | 203 | 2.5 | 183 | 2.4 | -20 | -10.0 |
| Exports | 351 | 4.4 | 300 | 3.9 | -51 | -14.5 |
| Total | 8,062 | 100.0 | 7,765 | 100.0 | -297 | -3.7 |

1H 2020 Earnings Review

- Beverage sales have been decreased as social distancing and reduction in outside activity have been routinized during Covid-19 pandemic. Sales of carbonated Drink, RTD Coffee, tea and functional drink have been affected by Covid-19.
- Sales of Juice have been reduced by 13.1% because customers prefer fresh fruits to juice drinks.
- Sales of sparkling water have been increased by 17.2%, and sales of energy drinks have been grown by 11.2% because of emerging trends, such as rising customers' interests of health & diet and "Homeconomy".
- The global economy recession and consolidation of inspection and quarantine in trade have decreased sales from exports by 14.5%.



May 2020



Chilsung-Cider
Green Tangerine / Peach

1H 2020 Earnings by Business (Beverage)

Operating Profit

(In Hundred Million of KRW)

| | 1H 2019 | | 1H 2020 | | YoY | |
|--------------------------|---------|-------|---------|-------|------|-------|
| | | (%) | | (%) | Chg. | % |
| Sales | 8,062 | 100.0 | 7,765 | 100.0 | -297 | -3.7 |
| Cost of Sales | 4,546 | 56.4 | 4,402 | 56.7 | -144 | -3.2 |
| SG & A | 2,703 | 33.5 | 2,731 | 35.2 | +28 | +1.0 |
| Operating Profit | 812 | 10.1 | 632 | 8.1 | -180 | -22.2 |
| Other Income | 82 | 1.0 | 104 | 1.3 | +22 | +26.6 |
| Other Expense | 212 | 2.6 | 142 | 1.8 | -70 | -32.9 |
| Profit before Income Tax | 682 | 8.5 | 594 | 7.6 | -88 | -13.0 |
| Income Tax | 200 | 2.5 | 142 | 1.8 | -58 | -29.0 |
| Net Profit | 481 | 6.0 | 451 | 5.8 | -30 | -6.3 |

1H 2020 Earnings Review

- Beverage sales have been decreased as social distancing and reduction in outside activity have been routinized during Covid-19 pandemic.
- Material costs have decreased since the global prices of raw materials has declined. As sales and production have been reduced, labor costs and expenditures have put strains on operating profit.

3Q 2020 Outlook

- Covid-19 pandemic is likely to be continued until 3Q 2020. Accordingly, online consumption is expected to grow and customers' behavior of eating-out would be restored.
- Frequent rainfall (Monsoon season in Korea) lets people reduce outdoor activities and domestic travel. It could negatively affect to beverage sales in 3Q 2020.
- Consumers' interests of health and immune system are expected to be continued.
- The global prices of raw materials are likely to be remained in price levels of 1H 2020.

1H 2020 Earnings by Business (Liquor)

Sales by Category

(In Hundred Million of KRW)

| | 1H 2019 | | 1H 2020 | | YoY | |
|----------------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | | (%) | | (%) | Chg. | (%) |
| Soju | 1,787 | 44.8 | 1,183 | 41.3 | -604 | -33.8 |
| Cheongju | 356 | 8.9 | 331 | 11.6 | -25 | -7.1 |
| Beer | 462 | 11.6 | 326 | 11.4 | -136 | -29.6 |
| Wine | 295 | 7.4 | 262 | 9.2 | -33 | -11.3 |
| Imported Beer | 138 | 3.5 | 97 | 3.4 | -41 | -30.1 |
| Cooking Wine (Mirim) | 120 | 3.0 | 95 | 3.3 | -25 | -20.7 |
| Whiskey | 256 | 6.4 | 46 | 1.6 | -210 | -82.2 |
| Exports | 346 | 8.7 | 287 | 10.0 | -59 | -17.2 |
| Total | 3,989 | 100.0 | 2,861 | 100.0 | -1,128 | -28.3 |

Note: Imported Beer – Molson Coors International (Miller, Blue Moon, Coors)

1H 2020 Earnings Review

- Boycott which occurred in 2H 2019 and a decrease in M/S have been affected to liquor sales. Sales of soju and beer have decreased by 33.8% and 29.6%.
- Revenue of cooking wine (Mirim) has decreased by 20.7% because Covid-19 has affected to usage of restaurants and operation of cafeterias as schools delayed restart.
- Prohibition of mass gathering by the government has accelerated a decrease in whisky sales. It has decreased by 82.2%.
- Exports have decreased by 17.2% because of the global economy crisis and rigid inspection/quarantine procedures in trade due to Covid-19.

APR 2020



Chum-Churum Flex



JUN 2020



Kloud Draft



클라우드 생드래프트
Kloud 생DRAFT



1H 2020 Earnings by Business (Liquor)

Operating Profit

(In Hundred Million of KRW)

| | 1H 2019 | | 1H 2020 | | YoY | |
|--------------------------|---------|-------|---------|-------|--------|--------|
| | | (%) | | (%) | Chg. | % |
| Sales | 3,989 | 100.0 | 2,861 | 100.0 | -1,128 | -28.3 |
| Cost of Sales | 2,462 | 61.7 | 1,998 | 69.8 | -464 | -18.9 |
| SG & A | 1,654 | 41.5 | 1,148 | 40.1 | -506 | -30.6 |
| Operating Profit | -127 | -3.2 | -284 | -9.9 | -157 | -123.4 |
| Other Income | 23 | 0.6 | 26 | 0.9 | +3 | +12.9 |
| Other Expense | 292 | 7.3 | 151 | 5.3 | -141 | -48.2 |
| Profit before Income Tax | -396 | -9.9 | -410 | -14.3 | -14 | -3.5 |
| Income Tax | 481 | 12.1 | -97 | -3.4 | -578 | |
| Net Profit | -877 | -22.0 | -313 | -10.9 | +564 | +64.3 |

1H 2020 Earnings Review

- Boycott which occurred in 2H 2019 and a decrease in M/S have been affected to liquor sales.
- Prohibition of mass gathering and using people-concentrated facilities by the government has affected to a decrease in sales of public houses(Pubs) and restaurants. However, new trends, such as "Drink Alone" and "Drink Home", have led to an increase in sales of home channel.
- LOTTE Chilsung launched new products, [Chum-Churum Flex] and [Kloud Draft]
- Material costs have slightly decreased as the global prices of raw materials have reduced.
- ZBB project has improved efficiency of cost structure since it began in Feb 2020.

3Q 2020 Outlook

- LOTTE Chilsung expects to gain a competitive price to imported beers because the liquor tax law was revised. As the government legally allowed to deliver a liquor with food, sales in home channel are expected to be increased.
- A change of purchasing place from outside to home is expected to be accelerated.
- The global prices of raw materials are likely to be remained in price levels of 1H 2020.

1H 2020 Earnings by Subsidiaries

Sanchung Beverage (KOR)

LOTTE Akhtar Beverages (Pakistan)

1H 2020 Earnings by Subsidiary

Sanchung Beverage (KOR)

(In Hundred Million of KRW)

| | 19.1H | | 20.1H | | YoY | |
|--------------------------|-------|-------|-------|-------|------|--------|
| | | (%) | | (%) | Chg. | % |
| Sales | 70 | 100.0 | 90 | 100.0 | +20 | +28.5 |
| Cost of Sales | 62 | 89.7 | 73 | 81.4 | +11 | |
| SG & A | 3 | 4.2 | 3 | 2.8 | - | |
| Operating Profit | 4 | 6.1 | 14 | 15.8 | +10 | +233.2 |
| Other Income | 0 | 0.2 | 0 | 0.1 | - | |
| Other Expense | 1 | 2.1 | 1 | 1.2 | - | |
| Profit before Income Tax | 3 | 4.2 | 13 | 14.7 | +10 | +348.3 |
| Income Tax | 1 | 0.9 | 1 | 1.2 | - | |
| Net Profit | 2 | 3.3 | 12 | 13.5 | +10 | +431.8 |

- Increased rate of manufacturing operation has resulted in sales growth of mineral water.
- As production has increased, labor and manufacturing costs have slightly grown. However, operating income has increased since rate of fixed costs has decreased.

Note: Including intercompany transactions (Total earnings of the subsidiary)

LOTTE Akhtar Beverages (Pakistan)

(In Hundred Million of KRW)

| | 19.1H | | 20.1H | | YoY | |
|--------------------------|-------|-------|-------|-------|------|--------|
| | | (%) | | (%) | Chg. | % |
| Sales | 462 | 100.0 | 424 | 100.0 | -38 | -8.3 |
| Cost of Sales | 369 | 79.8 | 322 | 75.9 | -47 | |
| SG & A | 115 | 24.8 | 92 | 21.7 | -23 | |
| Operating Profit | -21 | -4.6 | 10 | 2.4 | +31 | +148.0 |
| Other Income | 3 | 0.7 | 3 | 0.7 | - | |
| Other Expense | 14 | 3.1 | 13 | 3.0 | -1 | |
| Profit before Income Tax | -32 | -7.0 | 0 | 0.0 | +32 | +100.6 |
| Income Tax | 2 | 0.5 | -4 | -0.9 | -6 | |
| Net Profit | -35 | -7.5 | 4 | 0.9 | +39 | +111.5 |

- As the number of Covid-19 new cases surged from May to June, LTAB Strengthened the contingency plan in workplace.
- LTAB changed sales strategy that sells large-capacity bottle instead of small-capacity bottle due to a increase in home consumption.
 - * Sales have been decreased by -2.9% in PKR.
 - ** 1PKR=1KRW: 19.1H ₩7.98 KRW → 20.1H ₩7.55 KRW
- Reduction in the water tax has resulted in decreasing manufacturing costs.
- Labor costs and freight expenses have decreased.

15 Note: Subsidiaries – Sanchung Beverage Co.,Ltd(KOR), LOTTE Akhtar Beverages Limited(Pakistan)

Issue & Business Strategy

Environment

With Covid-19

Liquor Strategy





Issues & Business Strategy (Environment)

Colorless PET, Unlabeled Mineral Water, Eco-Label

→ Taking preemptive action for environmental issues & Building an image of eco-friendly company

- Correspond to consumers' interests of environment, LOTTE Chilsung has taken preemptive actions by launching eco-friendly products.
- LOTTE Chilsung changed all PET products to **colorless PET**, and launched the **unlabeled mineral water (ICIS 8.0 ECO)**, which is the first unlabeled beverage in Korea, in January 2020.
- LOTTE Chilsung enhanced the level of recycling availability by using the **easy-to-unwrap label**. In addition, it introduced the nation's first **reusable eco-label** in June 2020.



| | |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>Colorless PET (Jan 2020)</p> |  <p>Unlabeled Mineral Water (Jan 2020)</p> |
|  <p>Easy-To-Unwrap Label (Jan 2020)</p> |  <p>The First Reusable Eco-Label in Korea (Jun 2020)</p> |

Issues & Business Strategy (Covid-19)

Disinfection plan & Securing of profitability with stabilizing cash flows

Strategies against Covid-19

- We have made a full disinfection plan for **safety of employees and quality assurance** by operating the Covid-19 management TF. We have also planned **alternative business operating scenarios** in order to respond to rapidly changing external circumstance which results from Covid-19.
- For **securing of profitability and stabilizing cash flows**, we delayed subservient investments and retrenched expenditures with **ZBB project**. We established the inventory monitoring system managed demand and supply from raw materials to products.
- Investments related to **digital transformation** are maintained for securing mid/long-term growth.

Appendix

Income Statements – Quarterly, by Business

Key Figures Trend – P/L, Stability

Key Figures Trend – Commodity Price

Company Overview / History, Dividend

Financial Statements – Consolidated, Separate

Appendix – Income Statements (by Quarterly)

(In Hundred Million of KRW)

| | | Y2018 | | | | | Y2019 | | | | | Y2020 | | | | |
|--------------|--------------------------|-------|-------|-------|--------|--------|-------|-------|-------|--------|--------|-------|-------|----|----|-------|
| | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Separate | Sales | 5,200 | 5,965 | 6,674 | 5,393 | 23,233 | 5,584 | 6,467 | 6,334 | 5,047 | 23,432 | 4,904 | 5,722 | | | |
| | Operating Profit | 86 | 228 | 503 | 58 | 876 | 219 | 466 | 477 | -72 | 1,090 | 74 | 273 | | | |
| | % | 1.7 | 3.8 | 7.5 | 1.1 | 3.8 | 3.9 | 7.2 | 7.5 | -1.4 | 4.6 | 1.5 | 4.8 | | | |
| | Profit before Income Tax | 3 | 109 | 347 | -1,195 | -736 | 109 | 178 | 373 | -1,705 | -1,046 | -13 | 196 | | | |
| | % | 0.1 | 1.8 | 5.2 | -22.1 | -3.2 | 1.9 | 2.7 | 5.9 | -33.8 | -4.5 | -0.3 | 3.4 | | | |
| | Net Profit | -14 | 53 | 235 | -820 | -546 | 47 | -442 | 301 | -1,028 | -1,123 | -13 | 151 | | | |
| | % | -0.3 | 0.9 | 3.5 | -15.2 | -2.3 | 0.8 | -6.8 | 4.7 | -20.4 | -4.8 | -0.3 | 2.6 | | | |
| Consolidated | Sales | 5,226 | 5,995 | 6,699 | 5,543 | 23,463 | 5,749 | 6,775 | 6,571 | 5,200 | 24,295 | 5,074 | 5,980 | | | |
| | Operating Profit | 86 | 235 | 512 | 17 | 850 | 193 | 463 | 490 | -69 | 1,077 | 63 | 293 | | | |
| | % | 1.6 | 3.9 | 7.6 | 0.3 | 3.6 | 3.3 | 6.8 | 7.5 | -1.3 | 4.4 | 1.2 | 4.9 | | | |
| | Profit before Income Tax | -6 | 124 | 376 | -1,184 | -689 | 67 | 174 | 365 | -1,985 | -1,379 | -44 | 194 | | | |
| | % | -0.1 | 2.1 | 5.6 | -21.4 | -2.9 | 1.2 | 2.6 | 5.5 | -38.2 | -5.7 | -0.9 | 3.2 | | | |
| | Net Profit | -19 | 65 | 259 | -804 | -500 | 11 | -450 | 298 | -1,298 | -1,440 | -35 | 155 | | | |
| | % | -0.4 | 1.1 | 3.9 | -14.5 | -2.1 | 0.2 | -6.6 | 4.5 | -25.0 | -5.9 | -0.7 | 2.6 | | | |

Note: Subsidiaries – Sanchung Beverage Co.,Ltd(KOR), LOTTE Akhtar Beverages Limited(Pakistan)

Appendix – Income Statements (by Business)

(In Hundred Million of KRW)

| | | Y2018 | | | | | Y2019 | | | | | Y2020 | | | | | |
|--------------------|------------------|------------------|-------|-------|-------|--------|--------|-------|-------|-------|--------|--------|-------|-------|----|-------|--|
| | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total | |
| Consolidated | Sales | 5,226 | 5,995 | 6,699 | 5,543 | 23,463 | 5,749 | 6,775 | 6,571 | 5,200 | 24,295 | 5,074 | 5,980 | | | | |
| | Operating Profit | 86 | 235 | 512 | 17 | 850 | 193 | 463 | 490 | -69 | 1,077 | 63 | 293 | | | | |
| | % | 1.6 | 3.9 | 7.6 | 0.3 | 3.6 | 3.3 | 6.8 | 7.5 | -1.3 | 4.4 | 1.2 | 4.9 | | | | |
| LOTTE Chilsung | Beverage | Sales | 3,357 | 4,171 | 4,642 | 3,496 | 15,665 | 3,598 | 4,464 | 4,697 | 3,676 | 16,435 | 3,520 | 4,245 | | | |
| | | Operating Profit | 214 | 411 | 623 | 218 | 1,466 | 279 | 532 | 682 | 185 | 1,678 | 250 | 381 | | | |
| | | % | 6.4 | 9.9 | 13.4 | 6.2 | 9.4 | 7.8 | 11.9 | 14.5 | 5.0 | 10.2 | 7.1 | 9.0 | | | |
| | Liquor | Sales | 1,843 | 1,794 | 2,033 | 1,897 | 7,567 | 1,986 | 2,003 | 1,637 | 1,371 | 6,996 | 1,384 | 1,477 | | | |
| | | Operating Profit | -128 | -183 | -120 | -160 | -590 | -60 | -67 | -205 | -257 | -589 | -176 | -108 | | | |
| | | % | -6.9 | -10.2 | -5.9 | -8.4 | -7.8 | -3.0 | -3.3 | -12.5 | -18.7 | -8.4 | -12.7 | -7.3 | | | |
| | Total | Sales | 5,200 | 5,965 | 6,674 | 5,394 | 23,233 | 5,584 | 6,467 | 6,334 | 5,047 | 23,432 | 4,904 | 5,722 | | | |
| | | Operating Profit | 86 | 228 | 503 | 58 | 876 | 219 | 466 | 477 | -72 | 1,090 | 74 | 273 | | | |
| | | % | 1.7 | 3.8 | 7.5 | 1.1 | 3.8 | 3.9 | 7.2 | 7.5 | -1.4 | 4.6 | 1.5 | 4.8 | | | |
| Sanchung (KOR) | Sales | 38 | 55 | 64 | 34 | 191 | 33 | 37 | 49 | 34 | 152 | 41 | 49 | | | | |
| | Operating Profit | 6 | 12 | 13 | -1 | 31 | 3 | 2 | 8 | -2 | 10 | 4 | 10 | | | | |
| | % | 17.0 | 21.2 | 21.0 | -1.8 | 16.2 | 8.1 | 4.3 | 15.8 | -4.5 | 6.8 | 10.3 | 20.4 | | | | |
| LTAB (Pakistan) | Sales | | | | 135 | 135 | 157 | 305 | 234 | 151 | 847 | 167 | 256 | | | | |
| | Operating Profit | | | | -34 | -34 | -23 | 2 | 12 | 10 | 1 | -7 | 17 | | | | |
| | % | | | | -25.3 | -25.3 | -14.6 | 0.6 | 5.2 | 6.3 | 0.1 | -4.2 | 6.7 | | | | |

Note: This data differ from the total performance of the business and consolidated performance(Excluding internal transactions between business)

Subsidiaries – Sanchung Beverage Co.,Ltd(KOR), LOTTE Akhtar Beverages Limited(Pakistan) 19

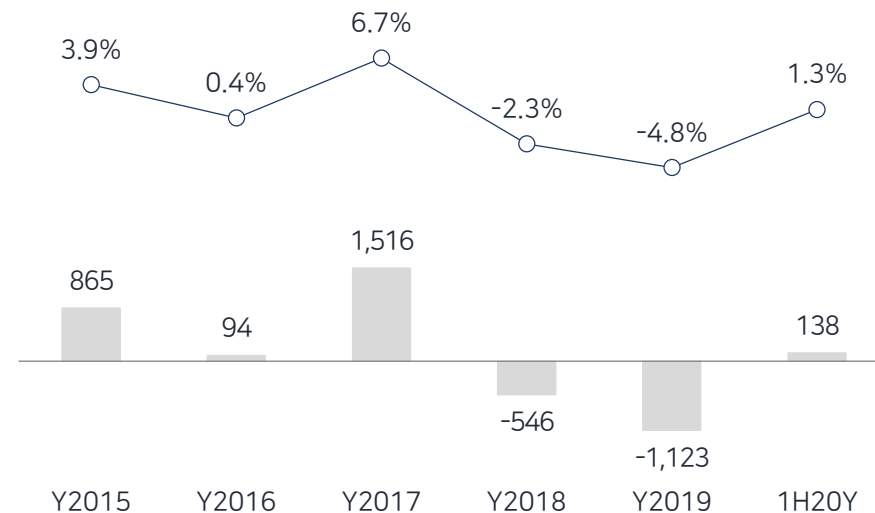
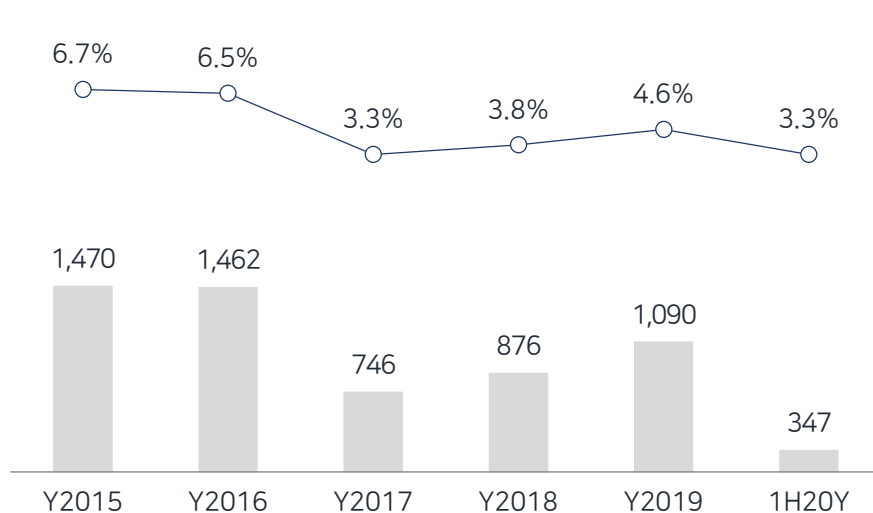
Appendix – Key Figures Trend (P/L)

(In Hundred Million of KRW)

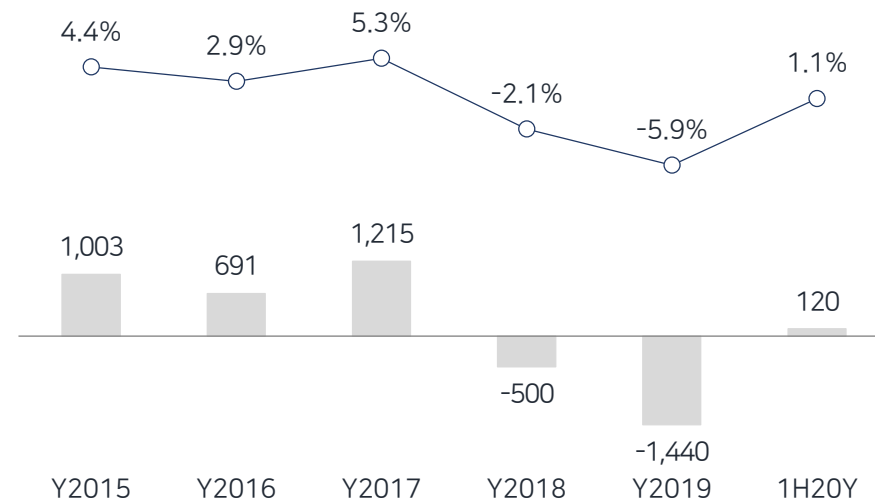
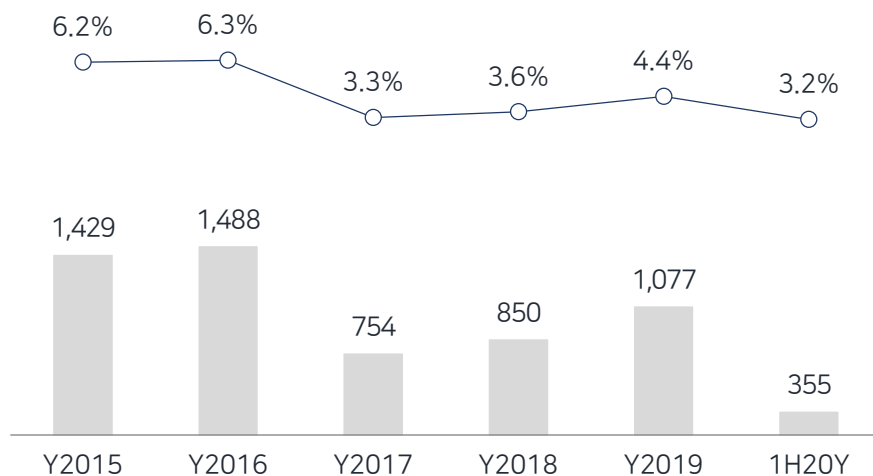
Operating Profit

Net Profit

Separate



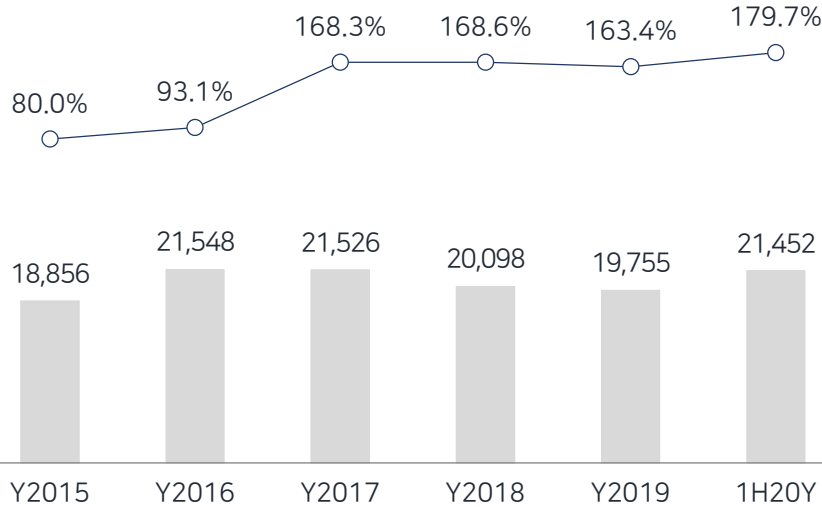
Consolidated



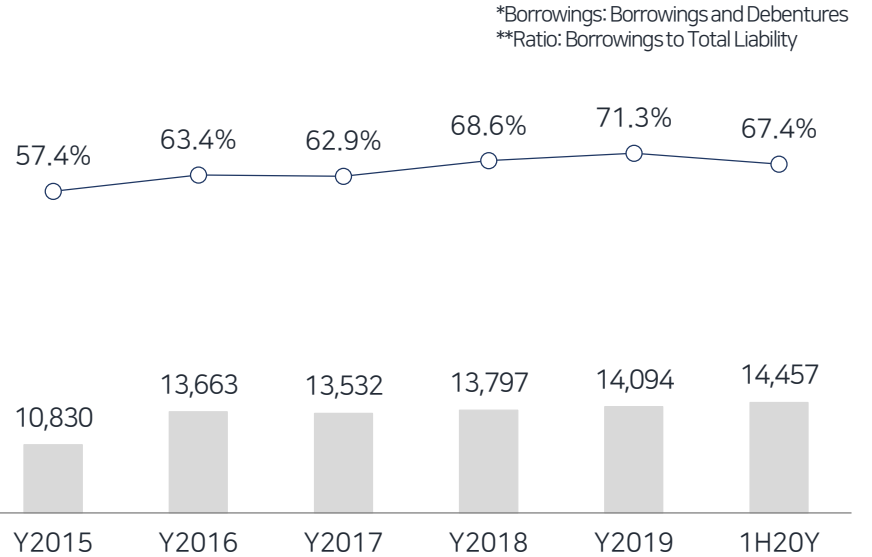
Appendix – Key Figures Trend (Stability)

(In Hundred Million of KRW)

Total Liabilities / Liability to Equity

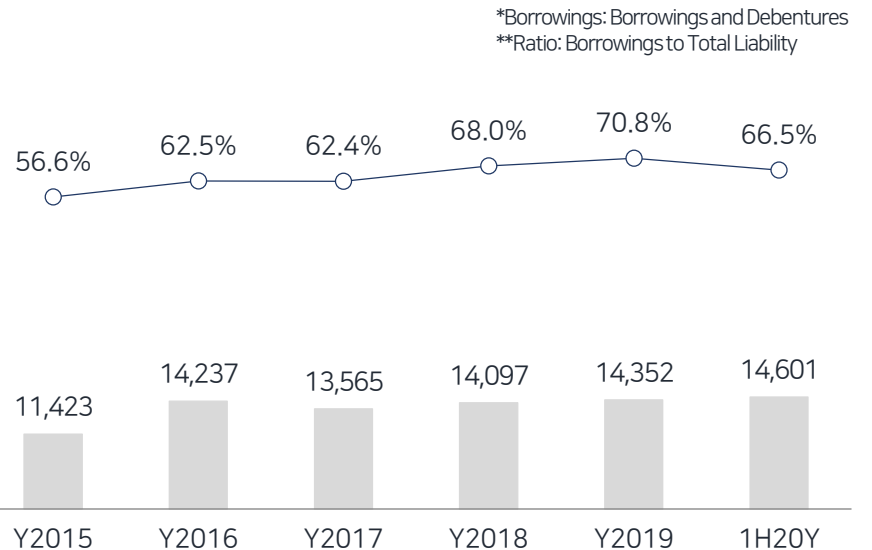
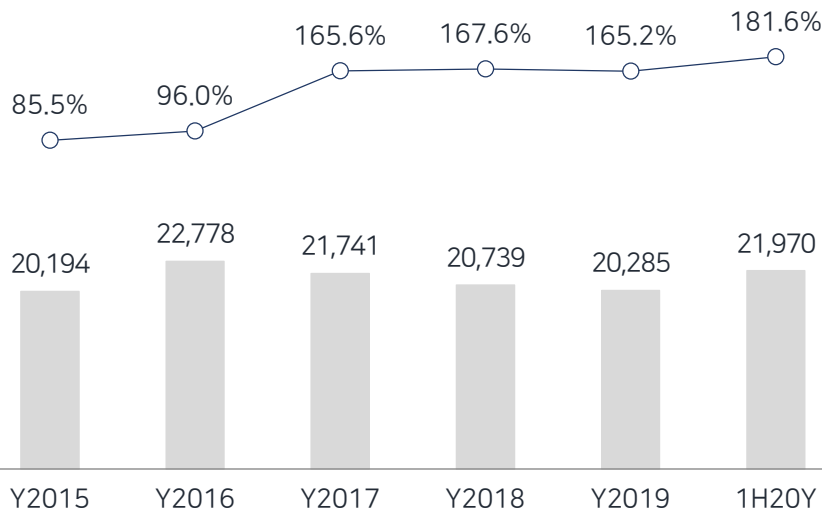


Borrowings / Debt Ratio



Separate

Consoli
-dated



Appendix – Key Figures Trend (Commodity Price)



Note: Commodity Price(differ from input price)

Note: \$ (United States dollar)

Appendix – Company Overview

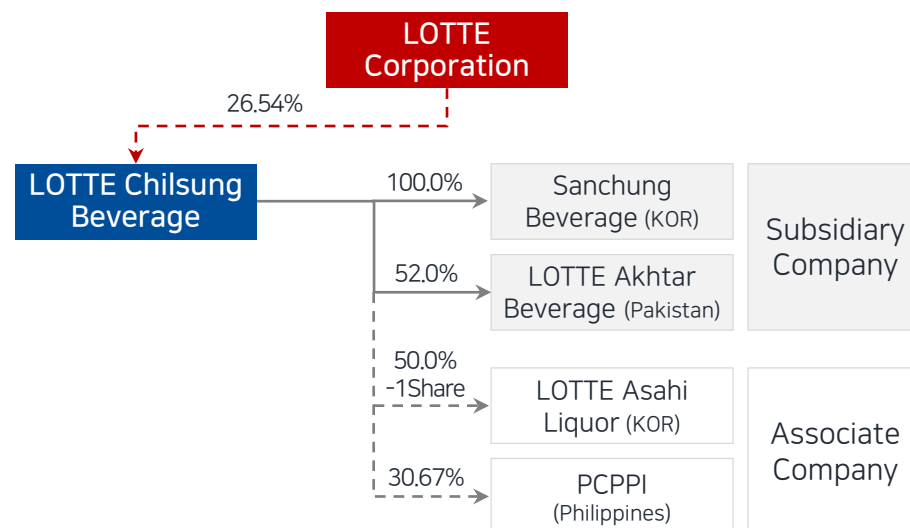
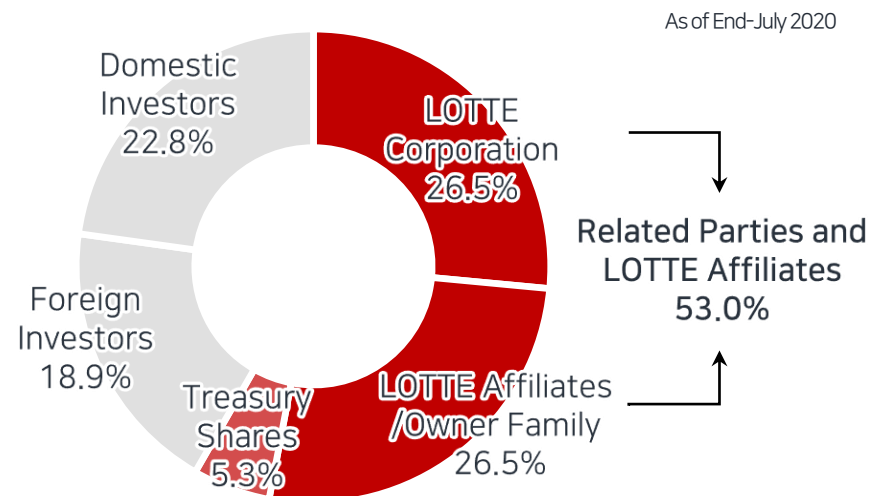
General Information

- Established May 9, 1950
- Main Business Beverage/Liquor
- Employees 5,920 (Beverage 4,234, Liquor 1,686)
- Production 12 plants (Beverage 6, Liquor 6)
- Sales Organization 136 branches
- Shareholdings Common Stock as of End-July 2020

| Name | Shares | Ownership(%) |
|--------------------------------------|------------------|--------------|
| LOTTE Corporation | 2,121,660 | 26.54 |
| LOTTE Aluminum | 708,870 | 8.87 |
| LOTTE Scholarship | 501,680 | 6.28 |
| Hotel LOTTE | 473,450 | 5.92 |
| LOTTE Japan | 109,830 | 1.37 |
| SHIN, Dong-Bin | 43,367 | 0.54 |
| SHIN, Yeong-Ja | 247,073 | 3.09 |
| SHIN, Dong-Ju | 26,020 | 0.33 |
| LEE, Yeong-Gu | 930 | 0.01 |
| Related Parties and LOTTE Affiliates | 4,234,996 | 52.98 |
| Others | 3,338,354 | 41.76 |
| (Foreign Investor) | (1,509,165) | (18.88) |
| Treasury Shares | 420,110 | 5.26 |
| Total | 7,993,460 | 100.0 |

Note: Excl. 775,310 Preferred Shares

Shareholding Structure



Appendix – Company History

Established in 1950 / IPO in 1973 / Acquired by LOTTE Group in 1974 / Merged with LOTTE Liquor in 2011

Y1950 ~ Y1960

| | |
|-------|------------------------------------------------|
| Y1950 | Establishment |
| Y1950 | <Chilsung-Cider> Release |
| Y1967 | Changed Name to Hanmi Foods Industry |
| Y1969 | Started supplying to post exchange of the USFK |

Y1970 ~ Y1980

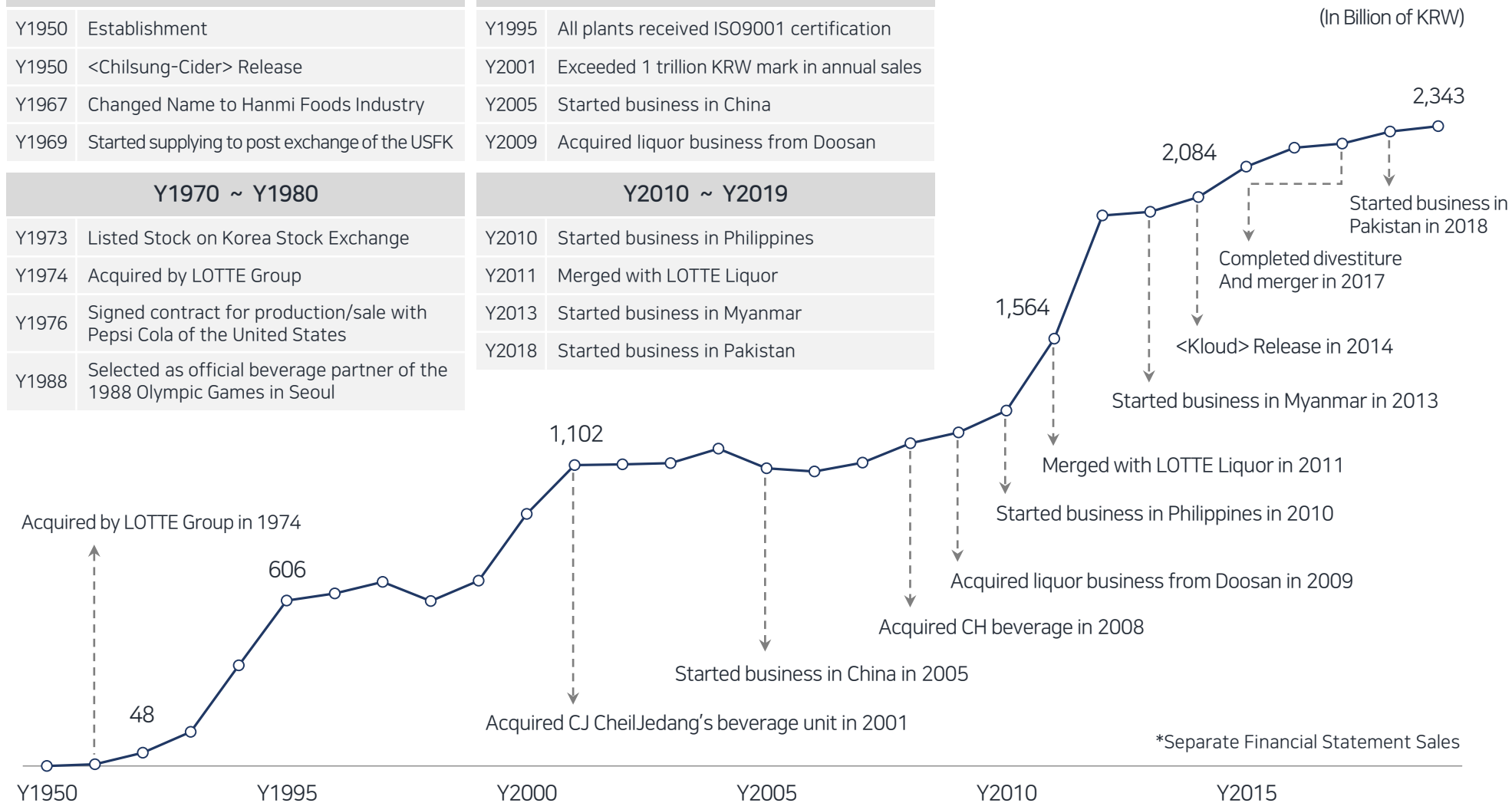
| | |
|-------|--------------------------------------------------------------------------|
| Y1973 | Listed Stock on Korea Stock Exchange |
| Y1974 | Acquired by LOTTE Group |
| Y1976 | Signed contract for production/sale with Pepsi Cola of the United States |
| Y1988 | Selected as official beverage partner of the 1988 Olympic Games in Seoul |

Y1990 ~ Y2000

| | |
|-------|----------------------------------------------|
| Y1995 | All plants received ISO9001 certification |
| Y2001 | Exceeded 1 trillion KRW mark in annual sales |
| Y2005 | Started business in China |
| Y2009 | Acquired liquor business from Doosan |

Y2010 ~ Y2019

| | |
|-------|---------------------------------|
| Y2010 | Started business in Philippines |
| Y2011 | Merged with LOTTE Liquor |
| Y2013 | Started business in Myanmar |
| Y2018 | Started business in Pakistan |



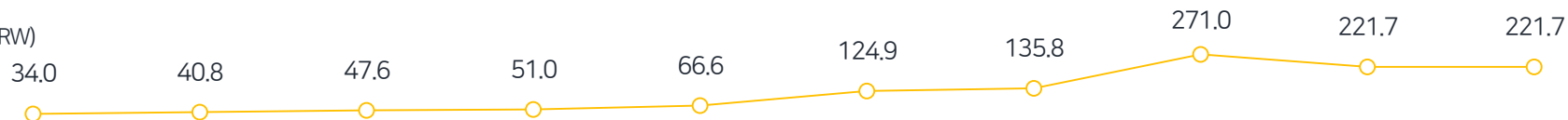
*Separate Financial Statement Sales

Appendix – Dividend

The Dividend are determined by considering a gradual increase of dividend for shareholders and enhancing the corporate value through mid/long-term investments. LOTTE Chilsung Beverage targets 30% of dividend propensity(on a separate basis) in mid/long-term for shareholders' profits.

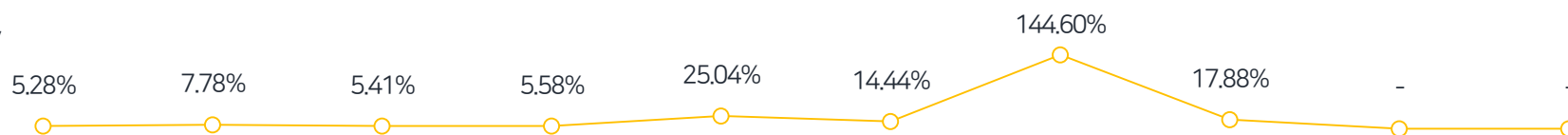
Cash Dividend

(In Hundred Million of KRW)



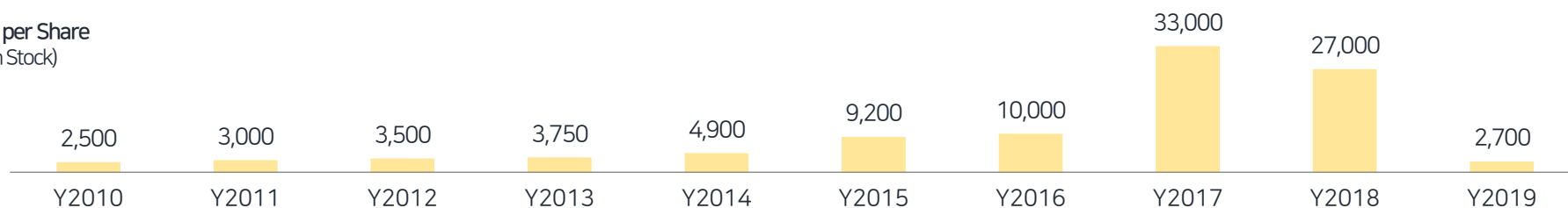
Dividend Propensity

(Separate)



Cash Dividend per Share

(KRW, Common Stock)



| | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|------------------------------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Par Value (KRW) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 500 |
| Share Price (KRW) (Common Stock) | 960,000 | 1,465,000 | 1,515,000 | 1,525,000 | 1,485,000 | 2,219,000 | 1,460,000 | 1,329,000 | 1,400,000 | 140,000 |
| Cash Dividend (In Hundred Million of KRW) | 33.99 | 40.78 | 47.56 | 50.96 | 66.56 | 124.92 | 135.77 | 270.97 | 221.71 | 221.71 |
| Cash Dividend per Share (KRW, Common Stock) | 2,500 | 3,000 | 3,500 | 3,750 | 4,900 | 9,200 | 10,000 | 33,000 | 27,000 | 2,700 |
| Dividend Rate (DPS/Par Value) | 50.0% | 60.0% | 70.0% | 75.0% | 98.0% | 184.0% | 200.0% | 660.0% | 540.0% | 540.0% |
| Dividend Yield (DPS/Share Price) | 0.26% | 0.20% | 0.23% | 0.25% | 0.33% | 0.42% | 0.69% | 2.48% | 1.93% | 1.93% |
| Dividend Propensity (Cash Dividend/NP) | 5.28% | 7.78% | 5.41% | 5.58% | 25.04% | 14.44% | 144.60% | 17.88% | - | - |

Appendix – Financial Statements (Consolidated)

Consolidated Statement of Income Statement

(In Hundred Million of KRW)

| | 1H19 | | 1H20 | | YOY | |
|--------------------------------------------|--------|-------|--------|-------|--------|-------|
| Sales | 12,524 | 100.0 | 11,054 | 100.0 | -11.7 | - |
| Cost of Sales | 7,381 | 58.9 | 6,714 | 60.7 | -9.0 | 1.8P |
| Gross Profit | 5,143 | 41.1 | 4,340 | 39.3 | -15.6 | -1.8P |
| Selling, General & Administrative Expenses | 4,487 | 35.8 | 3,984 | 36.0 | -11.2 | 0.2P |
| Labor Cost | 1,485 | 11.9 | 1,490 | 13.5 | 0.4 | 1.6P |
| Freight Expenses | 625 | 5.0 | 605 | 5.5 | -3.2 | 0.5P |
| Commission Expenses | 477 | 3.8 | 435 | 3.9 | -8.8 | 0.1P |
| Advertising Expenses | 788 | 6.3 | 544 | 4.9 | -30.9 | -1.4P |
| Depreciation and Amortization | 323 | 2.6 | 317 | 2.9 | -1.9 | 0.3P |
| Operating Profit | 656 | 5.2 | 355 | 3.2 | -45.8 | -2.0P |
| Other Income | 53 | 0.4 | 207 | 1.9 | 288.6 | 1.5P |
| Other Expenses | 324 | 2.6 | 227 | 2.1 | -30.0 | -0.5P |
| Interest Income | 23 | 0.2 | 17 | 0.2 | -26.1 | - |
| Finance Income | 16 | 0.1 | 15 | 0.1 | -3.1 | - |
| Finance Costs | 195 | 1.6 | 187 | 1.7 | -4.1 | 0.1P |
| Equity-method Income | 13 | 0.1 | -31 | -0.3 | -331.5 | -0.4P |
| Profit before Income Tax | 242 | 1.9 | 150 | 1.4 | -37.9 | -0.5P |
| Income Tax | 681 | 5.4 | 30 | 0.3 | -95.6 | -5.1P |
| Net Profit | -440 | -3.5 | 120 | 1.1 | -127.3 | 4.6P |
| Controlling Interests | -422 | -3.4 | 117 | 1.1 | -127.7 | 4.5P |
| Non-Controlling Interests | -17 | -0.1 | 3 | 0.0 | -116.0 | 0.1P |

Note: Subsidiaries – Sanchung Beverage Co.,Ltd(KOR), LOTTE Akhtar Beverages Limited(Pakistan)
Investments in Associates – LOTTE Asahi Liquor Company Ltd.(KOR), PCPPI(Philippines)

Consolidated Statement of Financial Position

(In Hundred Million of KRW)

| | 2018.12.31 | 2019.12.31 | 2020.03.31 | 2020.06.30 |
|-------------------------------------------------------------|------------|------------|------------|------------|
| Current Assets | 6,887 | 7,884 | 7,102 | 8,714 |
| Cash and Cash Equivalents | 984 | 1,994 | 1,062 | 2,397 |
| Trade and Other Receivables | 2,651 | 2,557 | 2,434 | 2,891 |
| Inventories | 2,571 | 2,739 | 2,822 | 2,795 |
| Other Current Assets | 681 | 593 | 784 | 631 |
| Non-Current Assets | 26,226 | 24,681 | 24,661 | 25,352 |
| Investment in Associates and Financial Assets at Fair Value | 933 | 484 | 401 | 941 |
| Tangible Assets | 21,657 | 20,146 | 20,196 | 20,071 |
| Intangible Assets | 1,517 | 1,186 | 1,164 | 1,259 |
| Other Non-Current Assets | 2,119 | 2,865 | 2,900 | 3,080 |
| Total Assets | 33,113 | 32,565 | 31,763 | 34,066 |
| Current Liabilities | 6,890 | 9,416 | 11,379 | 9,269 |
| Trade and Other Payables | 3,395 | 2,725 | 3,266 | 3,909 |
| Borrowings and Debentures | 1,998 | 5,364 | 6,833 | 3,847 |
| Other Current Liabilities | 1,498 | 1,327 | 1,280 | 1,514 |
| Non-Current Liabilities | 13,848 | 10,869 | 8,464 | 12,700 |
| Borrowings and Debentures | 12,099 | 8,988 | 6,451 | 10,753 |
| Deferred Tax Liabilities | 1,019 | 804 | 794 | 779 |
| Other Non-Current Liabilities | 731 | 1,076 | 1,219 | 1,167 |
| Total Liabilities | 20,739 | 20,285 | 19,843 | 21,970 |
| Capital Stock | 44 | 44 | 44 | 44 |
| Hybrid Bonds | | 1,495 | 1,495 | 1,495 |
| Other Components of Equity | -8,467 | -8,468 | -8,468 | -8,468 |
| Accumulated Other Comprehensive Income | -137 | -32 | -90 | -87 |
| Retained Earnings | 20,833 | 19,083 | 18,786 | 18,957 |
| Total Equity | 12,374 | 12,280 | 11,920 | 12,096 |
| Total Liabilities & Equity | 33,113 | 32,565 | 31,763 | 34,066 |

Note: Based on Consolidated Financial Statements(K-IFRS)

Appendix – Financial Statements (Separate)

Separate Statement of Income Statement

(In Hundred Million of KRW)

| | 1H19 | | 1H20 | | YOY | |
|--------------------------------------------|--------|-------|--------|-------|--------|-------|
| Sales | 12,051 | 100.0 | 10,626 | 100.0 | -11.8 | - |
| Cost of Sales | 7,009 | 58.2 | 6,400 | 60.2 | -8.7 | 2.0P |
| Gross Profit | 5,042 | 41.8 | 4,226 | 39.8 | -16.2 | -2.0P |
| Selling, General & Administrative Expenses | 4,358 | 36.2 | 3,878 | 36.5 | -11.0 | 0.3P |
| Labor Cost | 1,170 | 9.7 | 1,181 | 11.1 | 1.0 | 1.4P |
| Freight Expenses | 625 | 5.2 | 605 | 5.7 | -3.2 | 0.5P |
| Commission Expenses | 431 | 3.6 | 399 | 3.8 | -7.5 | 0.2P |
| Advertising Expenses | 786 | 6.5 | 543 | 5.1 | -30.9 | -1.4P |
| Depreciation and Amortization | 306 | 2.5 | 299 | 2.8 | -2.2 | 0.3P |
| Operating Profit | 685 | 5.7 | 347 | 3.3 | -49.3 | -2.4P |
| Other Income | 51 | 0.4 | 99 | 0.9 | 94.1 | 0.5P |
| Other Expenses | 323 | 2.7 | 121 | 1.1 | -62.7 | -1.6P |
| Interest Income | 22 | 0.2 | 16 | 0.1 | -27.5 | -0.1P |
| Finance Income | 32 | 0.3 | 15 | 0.1 | -52.3 | -0.2P |
| Finance Costs | 180 | 1.5 | 173 | 1.6 | -4.0 | 0.1P |
| Profit before Income Tax | 286 | 2.4 | 184 | 1.7 | -35.8 | -0.7P |
| Income Tax | 682 | 5.7 | 45 | 0.4 | -93.3 | -5.3P |
| Net Profit | -395 | -3.3 | 138 | 1.3 | -135.0 | 4.6P |

Note: LOTTE Chilsung Beverage Co.,Ltd. Only

Separate Statement of Financial Position

(In Hundred Million of KRW)

| | 2018.12.31 | 2019.12.31 | 2020.03.31 | 2020.06.30 |
|-------------------------------------------|------------|------------|------------|------------|
| Current Assets | 6,704 | 7,709 | 6,890 | 8,516 |
| Cash and Cash Equivalents | 969 | 1,978 | 1,049 | 2,390 |
| Trade and Other Receivables | 2,627 | 2,530 | 2,392 | 2,847 |
| Inventories | 2,482 | 2,640 | 2,692 | 2,677 |
| Other Current Assets | 626 | 562 | 757 | 601 |
| Non-Current Assets | 25,313 | 24,136 | 24,142 | 24,873 |
| Investment in Associates and Subsidiaries | 1,001 | 944 | 944 | 1,487 |
| Tangible Assets | 21,071 | 19,526 | 19,583 | 19,475 |
| Intangible Assets | 758 | 561 | 546 | 647 |
| Other Non-Current Assets | 2,484 | 3,106 | 3,070 | 3,264 |
| Total Assets | 32,018 | 31,846 | 31,033 | 33,389 |
| Current Liabilities | 6,464 | 9,065 | 11,038 | 8,976 |
| Trade and Other Payables | 3,276 | 2,651 | 3,176 | 3,711 |
| Borrowings and Debentures | 1,710 | 5,106 | 6,601 | 3,774 |
| Other Current Liabilities | 1,478 | 1,307 | 1,260 | 1,491 |
| Non-Current Liabilities | 13,634 | 10,690 | 8,238 | 12,476 |
| Borrowings and Debentures | 12,087 | 8,988 | 6,390 | 10,682 |
| Deferred Tax Liabilities | 827 | 641 | 643 | 639 |
| Other Non-Current Liabilities | 721 | 1,061 | 1,205 | 1,154 |
| Total Liabilities | 20,098 | 19,755 | 19,276 | 21,452 |
| Capital Stock | 44 | 44 | 44 | 44 |
| Hybrid Bonds | | 1,495 | 1,495 | 1,495 |
| Other Components of Equity | -7,924 | -7,924 | -7,924 | -7,924 |
| Accumulated Other Comprehensive Income | -74 | 50 | -6 | 3 |
| Retained Earnings | 19,874 | 18,427 | 18,147 | 18,320 |
| Total Equity | 11,920 | 12,091 | 11,756 | 11,937 |
| Total Liabilities & Equity | 32,018 | 31,846 | 31,033 | 33,389 |

Note: Based on Separate Financial Statements(K-IFRS)

MISSION

사랑과 신뢰를 받는
제품과 서비스를 제공하여
인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing
superior products and services that
our customers love and trust



LOTTE Chilsung Beverage